



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0030	Title:	Revise reimbursement for meals, lodging
Primary Sponsor:	Gebhardt, Kelly	Status:	As Introduced-Revised

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$106,434	\$113,568	\$120,994	\$128,721
State Special Revenue	\$243,503	\$249,591	\$255,830	\$262,226
Federal Special Revenue	\$85,845	\$87,991	\$90,191	\$92,446
Other	\$28,860	\$29,582	\$30,321	\$31,079
MUS - Current Unrestricted Fund	\$10,153	\$10,407	\$10,667	\$10,934
MUS - Other	\$17,475	\$17,912	\$18,360	\$18,819
Revenue:				
General Fund	(\$1,262,000)	(\$1,316,000)	(\$1,355,000)	(\$1,396,000)
State Special Revenue	(\$1,757,000)	(\$1,832,000)	(\$1,887,000)	(\$1,943,000)
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
MUS - Current Unrestricted Fund	\$0	\$0	\$0	\$0
MUS - Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$1,368,434)</u>	<u>(\$1,429,568)</u>	<u>(\$1,475,994)</u>	<u>(\$1,524,721)</u>

Description of fiscal impact:

The cost of in-state meal reimbursement would be \$25.92 per day; an increase of \$2.92 per day, based on the current federal standard rate of \$36 per day. No projected increase was calculated to the amount paid for in-state lodging as employees are not currently able to find lodging at \$35 a night and have been following the federal standard rate of \$70, as allowed in policy per 2-18-501(3), MCA.

This bill sets the reimbursement for in-state lodging to the prescribed maximum federal rate for the location. This new rate increases the exemption amount for the lodging facilities use tax and the sales tax. The increased exemption would decrease revenue to the general fund by \$1.262 million in FY 2010, \$1.316 million in FY

2011, \$1.355 million in FY 2012 and \$1.396 million in FY 2013. The increased exemption would also decrease state special revenue by \$1.757 million in FY 2010, \$1.832 million in FY 2011, \$1.887 million in FY 2012 and \$1.943 million in FY 2013.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 30 changes the rate in 2-18-501, MCA, from \$35 to the maximum federal rate for the location. This rate is used to determine the Average Daily Accommodation Charge (ADAC) which is used to determine the lodging facilities that are exempt from the lodging facilities use tax in 15-65-101, MCA, and the sales and use tax in 15-68-101, MCA.
2. The ADAC is equal to 60% of the room rate plus the tax. Under current law, the ADAC is equal to \$22.47. The federal rate in most parts of the state is \$70, so the ADAC is equal to \$44.94 in those locations. Lodging facilities that charge below the ADAC are exempt from the lodging and facilities use tax and the sales and use tax.
3. Using data on the price range, number of rooms and if the lodging facility is already exempt provided by Travel Montana, it is estimated that 9.15% of the value of hotel rooms in the state of Montana are under the ADAC. This would decrease the sales tax and the lodging facilities use tax by 9.15% annually.
4. This fiscal note assumes that the price per room is the mid point of the ranges, except for the rooms with a range of under \$50. If the price was listed as under \$50 then the price of \$44 per night was used.
5. The official revenue estimate of the total lodging taxes is \$32.998 million in FY 2010 and \$34.401 in FY 2011.
6. The official revenue estimates assume an annual growth rate of 3%. Using this growth rate, revenue would be \$35.433 ($34.401 \times 1.03 = 35.433$) million in FY 2012 and \$36.496 ($35.433 \times 1.03 = 36.496$) million in FY 2013.
7. Although the general fund receives 3% sales tax on lodging facilities, and the total tax is 7%, the general fund portion of the total is less than three sevenths of the total revenue due to differences in the deductions from the taxpayers' liability for the two taxes. The official HJR 2 revenue estimate for the lodging facility sales tax is \$13.796 million in FY 2010 and \$14.382 million in FY 2011. The Office of Budget and Program Planning estimates a 3% growth and revenue to be \$14.814 in FY 2012 and \$15.2579 million in FY 2013.
8. The Legislative Fiscal Division estimates the lodging facility use tax to be \$19.202 million in FY 2010 and \$20.019 million in FY 2011. Using a 3% growth rate for the 2013 biennium, revenue would be \$20.620 in FY 2012 and \$21.238 million in FY 2013.
9. If 9.15% of lodging sales were exempt, then sales tax revenue would be \$12.534 million in FY 2010 ($13.796 \times .9085 = 12.534$), \$13.066 million in FY 2011, \$13.458 million in FY 2012 and \$13.862 million in FY 2013. This is a decrease in general fund revenue of \$1.262 million in FY 2010 ($13.796 - 12.534 = 1.262$), \$1.316 million in FY 2011, \$1.355 in FY 2012, and \$1.396 in FY 2013.
10. If 9.15% of the lodging sales were exempt, then the lodging and facilities tax revenue would be \$17.445 million in FY 2010 ($19.202 \times .9085 = 17.445$), \$18.187 million in FY 2011, \$18.733 million in FY 2012, and \$19.295 million in FY 2013. This is a decrease of \$1.757 million in FY 2010 ($19.202 - 17.445 = 1.757$), \$1.832 million in FY 2011, \$1.887 million in FY 2012 and \$1.943 million in FY 2013. This revenue is distributed to various state agencies.

Department of Administration

11. The current federal standard meal reimbursement is \$36.00. The bill allows reimbursement up to 72% of the federal rate, which would result in a 13% increase for in-state meal reimbursement. Based upon FY 2008 actual expenditures for meal reimbursements, the total cost of the 13% increase would be \$487,904 each year.
12. It is assumed that agencies are already paying the allowable federal lodging rates in Montana, due to the difficulty in finding lodging for less than the federal rate. Therefore, no increase is estimated for this change.
13. There was not a reasonable method to estimate the non-receiptable lodging increase, therefore no estimate has been included.
14. A 2.5% general inflationary increase is applied each year.
15. Funding for the Montana University System is assumed to be 43% general fund on current unrestricted fund costs.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$487,904	\$504,575	\$521,774	\$539,520
Transfers	\$4,366	\$4,476	\$4,589	\$4,705
TOTAL Expenditures	\$492,270	\$509,051	\$526,363	\$544,225
<u>Funding of Expenditures:</u>				
General Fund (01)	\$106,434	\$113,568	\$120,994	\$128,721
State Special Revenue (02)	\$243,503	\$249,591	\$255,830	\$262,226
Federal Special Revenue (03)	\$85,845	\$87,991	\$90,191	\$92,446
Other (06)	\$28,860	\$29,582	\$30,321	\$31,079
MUS - Current Unrest. Fund (31)	\$10,153	\$10,407	\$10,667	\$10,934
MUS - Other (3x)	\$17,475	\$17,912	\$18,360	\$18,819
TOTAL Funding of Exp.	\$492,270	\$509,051	\$526,363	\$544,225
<u>Revenues:</u>				
General Fund (01)	(\$1,262,000)	(\$1,316,000)	(\$1,355,000)	(\$1,396,000)
State Special Revenue (02)	(\$1,757,000)	(\$1,832,000)	(\$1,887,000)	(\$1,943,000)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other (06)	\$0	\$0	\$0	\$0
MUS - Current Unrest. Fund (31)	\$0	\$0	\$0	\$0
MUS - Other (3x)	\$0	\$0	\$0	\$0
TOTAL Revenues	(\$3,019,000)	(\$3,148,000)	(\$3,242,000)	(\$3,339,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,368,434)	(\$1,429,568)	(\$1,475,994)	(\$1,524,721)
State Special Revenue (02)	(\$2,000,503)	(\$2,081,591)	(\$2,142,830)	(\$2,205,226)
Federal Special Revenue (03)	(\$85,845)	(\$87,991)	(\$90,191)	(\$92,446)
Other (06)	(\$28,860)	(\$29,582)	(\$30,321)	(\$31,079)
MUS - Current Unrest. Fund (31)	(\$10,153)	(\$10,407)	(\$10,667)	(\$10,934)
MUS - Other (3x)	(\$17,475)	(\$17,912)	(\$18,360)	(\$18,819)

Effect on County or Other Local Revenues or Expenditures:

1. Many cities and counties follow the state guidelines in regard to travel reimbursements. Those local government entities could see a similar impact on their spending.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date